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USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

(FOUO 1/81)



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CONSUMER GOODS PRODUCTION AND DISTRIBUTION

CONSUMER COOPERATIVES UNDER SOCIALISM

Moscow VOPROSY EKONOMIKI in Russian No 10, 1980 pp 74-85

[Article by A. Smirnov: "Consumer Cooperatives Under Mature Socialism"]

[Text] V. I. Lenin considered cooperatives as one form of involving broad masses of workers in managing the building of socialism and in directing economic processes. The cooperative plan developed by him became an integral part of the program for implementing radical socioeconomic reforms in the country, of which the October Revolution marked the beginning.

Lenin allocated a major role in implementing the cooperative plan to consumer cooperatives, that along with the other most common forms of cooperatives that operated in the sphere of circulation (marketing, supply, credit) were the initial step during the years of collectivization and the school for training the peasants for a higher form of cooperatives--production.

Right at the start after the victory of the October Revolution, the important independent value of consumer cooperatives was defined also; they were determined the most efficient form, suitable to the new system, of developing Soviet trade and the trade links between city and village, and industry and agriculture. V. I. Lenin stressed that consumer cooperatives "must be supported and developed, for they will ensure rapid, proper and cheap distribution of products,"¹ and that it is necessary to utilize the apparatus of cooperatives, "without which indeed it is impossible to build socialism with any success."² These conclusions and appraisals by Lenin were the basis for party and Soviet government policy in building cooperatives, and life fully confirmed their correctness, the great socioeconomic value of cooperatives and their major role as a form of mobilizing the creative activeness of the workers.

Participating in the development of the cooperative trade that now serves almost half the country's population are tens of millions of Soviet citizens who are the members-shareholders, that is the group owners of the consumer cooperatives. These are the very consumers of the goods, those who are the most interested in improving the operation of the commodity pipeline and in raising the quality of goods and trade services. Members of cooperatives have a personal material effect on the

¹ V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Collected Works], Vol 43 pp 250-251.

² V. I. Lenin, "Polnoye sobraniye sochineniy," Vol 37, p 413.

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development of cooperative trade in the form of entry and share monetary fees. Their total, in economic turnover, has now reached 800 million rubles. The members-shareholders also participate without compensation in managing and supervising the activity of the cooperatives and economic enterprises. Thus, a consumer cooperative combines in itself qualities, on the one hand, of a mass independent and self-governing social organization, operating on the basis of a charter drafted and approved by the members-shareholders themselves, and on the other hand, of an economic enterprise based on group ownership by shareholders, so-called cooperative ownership. Consequently, it is at the same time a component of both the economic basis and the sociopolitical superstructure, and a part of the economic and political system of the developed socialist society.

In the CPSU program it is pointed out that "consumer cooperatives, called upon to improve trade in the village and to organize marketing of agricultural product surpluses, will be developed" as Soviet trade develops further as a necessary condition for satisfying the growing needs of the people. At the same time, it is stressed that as Soviet society moves toward communism, the role of consumer cooperatives "as one of the forms of involving the masses in building communism, of communist education and of a school for social self-government" increases.

The Soviet Constitution does not simply proclaim the right of citizens to join together in cooperatives, but also guarantees the conditions for the successful activity of the latter, every kind of state assistance in developing cooperative ownership, encouraging the activity of cooperatives in all spheres of serving the population, raising the activeness and role of cooperative organizations in managing state and public matters, granting them the right of legislative initiative, etc.

Thanks to the implementation of Lenin's cooperative plan during the years of the Soviet regime, consumer cooperatives have been converted into a powerful and dynamically developing multisector economic system, combining trade, procurement and industrial activity, construction, training of personnel and foreign trade activity. At the same time, this is the largest social organization in the country and in the world, uniting about 60 million members-shareholders and carrying out great organizational-mass and cultural-educational work among them, as well as the 3 million permanent cooperative workers and the entire population being served. As an economic system, consumer cooperatives are part of the unified national economic complex of the developed socialist society. They effect about 30 percent of the country's retail commodity turnover, 40-60 percent of procurements of more than 60 major types of agricultural products and raw materials, production of consumer goods worth about 6 billion rubles and capital investment on the scale of up to 1 billion rubles per year. The fixed capital of consumer cooperatives is more than 15 billion rubles.

As one of the specific forms of socialist property and socialist democracy, consumer cooperatives have an active influence, through the system of organizational and economic links, on the economic and social development of society, on the status of state industry, kolkhoz and sovkhoz agricultural production, trade and procurements and on the level of trade services to the population. Development of the cooperative economy is based on socialist principles of distribution of productive forces and Lenin's nationality policy and promotes acceleration of economic and social development in the former backward outlying districts of tsarist Russia. Thus, with an overall 3.3-fold increase in trade turnover of consumer cooperatives during the

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period 1961-1979, there was a 4.8-fold increase in the Moldavian SSR, a 5.1 in the Kirghiz, a 4.5 in the Tajik, a 4.0 in the Uzbek, a 4.8 in the Armenian and a 4.7 in the Azerbaijan SSR.

In the developed socialist society, consumer cooperatives are the primary conduits for goods from urban industry to the countryside and one of the major channels for delivery to the city of agricultural products to supply the population and of raw materials for industrial needs. In effecting the economic links between urban and rural areas, consumer cooperatives facilitate accomplishment of the major tasks of development of Soviet society--raising the welfare and most complete satisfaction of the ever increasing needs of workers, and bringing living conditions and standards for rural and city dwellers closer together, which in turn promotes the elimination of the essential differences between the city and the village.

Consumer cooperatives help improve supplying the people, aid them in acquiring needed goods where they live, and carry out marketing and industrial processing of agricultural products produced on private farms or obtained on public farms, thereby making it easier for the state to solve the problems of organizing trade services to the population, and procurement and processing of agricultural products with the least material and labor outlays. They promote growth of industrial and agricultural production and a rise in the country's productive forces through development of initiative and gratuitous labor and material sharing of citizens in the cooperatives.

On 11 November 1979, on the eve of the 10th Cooperative Congress held in Moscow, the party and government demonstrated its concern for improving the operation of cooperatives when the CPSU Central Committee and the USSR Council of Ministers adopted the decree "On the Further Development and Improvement of the Activity of Consumer Cooperatives." This decree pointed out the major role of consumer cooperatives in the political and economic systems of the developed socialist society, and stressed the enhancement of their role in accordance with the USSR Constitution in realizing the country's economic and social development plans, in managing state and public matters, in improving and strengthening economic links between the city and the village, and in bringing the material and cultural living conditions and consumer services for the urban and rural population closer together. The basic directions and tasks for developing consumer cooperatives and for strengthening their base of materials, equipment and personnel in the 11th Five-Year Plan and more distant future have been defined in this important party and government document. These tasks have especially been set in it: broadly involve the members-shareholders in direct management of the affairs of their cooperatives, unions and enterprises, and improve for these purposes the mechanism of managing the cooperative economy while adhering strictly to the principles of cooperative democracy and raising the role of public-mass control agencies.

The leading sector of cooperative activity is trade. Consumer cooperatives provide trade services to almost half the country's population, primarily the rural, which accounts for about 70 percent of the total cooperative commodity turnover. Cooperatives now have about 370,000 trade enterprises (including 300,000 stores), and 94,000 dining halls, restaurants and cafes (capable of serving 3.8 million people at any one time).

During the past two decades, cooperative commodity turnover increased from 23 billion rubles (in 1960) to 74.5 billion rubles (expected in 1980), or 3.5-fold, that

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is, the average annual rate of its growth was 6.5 percent. With that, it should be taken into account that one percent of growth of commodity turnover in 1940 was only 44 million rubles, and 209 million rubles in 1960, while now in 1980 it is 705 million rubles. These figures indicate the status and potential of cooperative commodity turnover. These steady growth rates for commodity turnover were achieved even though consumer cooperatives stopped selling trucks, gasoline, petroleum products and a number of other commodities to kolkhozes in 1959, which reduced their commodity turnover by about 7 billion rubles per year.

In the last two decades, the main sources of increase in commodity turnover were the continually active economic and social factors and above all the overall rise in the economics of agriculture, the increase in yield, productivity and marketability, growth in labor productivity, reduction in production costs of products and the introduction of guaranteed monetary payment for kolkhoz farmers' labor, which is directly reflected in rural worker income levels. Thus, development of cooperative commodity turnover depends directly on further strengthening of the kolkhoz system, development of specialization, interfarm cooperatives, agroindustrial integration, improvement on this basis of kolkhoz farmer wages, as well as on strengthening of the economy and increasing the number of workers of the sovkhozes, and growth in wages and incomes for all categories of rural inhabitants.

An important factor affecting cooperative commodity turnover is the share of monetary income in the rural inhabitant's budget. The higher this share, the more goods acquired by the rural worker in cooperative stores. Even though kolkhozes have gone to guaranteed monetary wages, there is still an important reserve for growth in rural monetary income--an increase in the amounts of commodity production by private subsidiary farms and purchases of it by consumer cooperatives. During the last 10 to 15 years, kolkhoz farmer income has increased considerably, and its growth rate exceeds that for wages of industrial, office and professional workers. This is precisely what has ensured the leading rates of development of cooperative commodity turnover compared to those of the state, and what has caused such processes and phenomena as the levels of commodity turnover per capita in the city and in the rural and urban turnover, which are drawing closer together.

During the past 20 years, commodity turnover per capita of the population served by consumer cooperatives increased 3.6-fold while the growth in turnover per capita of urban population was 2.1-fold. With that, more substantial growth in cooperative turnover was achieved in a number of union republics: 4.4-fold in the Moldavian SSR, 5 in the Belorussian, 3.7 in the Armenian, 3.8 in the Azerbaijan and 3.8-fold in the Ukrainian SSR. In 1960, commodity turnover per capita of population served by consumer cooperatives was 2.9-fold lower than turnover per capita of population served by state trade. In 1979, this gap was reduced to twofold. This is the result of the agrarian policy pursued by the CPSU which ensures successful development of agricultural production, an increase in real income of rural workers, as well as expansion of production and deliveries of consumer goods to rural areas.

One of the main aims of socialist society is to eliminate the differences between the city and the village, and in particular the levels of consumption between the urban and rural population. It should be borne in mind, however, that the gap that still exists in amounts of commodity turnover per capita between the city and the village stems not only from the historically established considerable social and

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economic differences between them, but also from the rural population still obtaining a substantial part of their food and about 25 percent of aggregate income from private subsidiary farms. At the same time, a certain part of nonfood commodities are traditionally acquired in cities by rural inhabitants (up to 40 percent, according to data from a sample survey of families). Development of cooperative trade in the village is one way of erasing the differences between city and village.

The continual growth in rural personal income and the increase in marketable commodity stocks aimed at rural areas have created not only the basis for a substantial increase in the amounts of cooperative trade, but also the possibility of steadily providing rural inhabitants with a broad variety of consumer goods and primarily articles for improving living and farm conditions. For example, the share in cooperative turnover of nonfood commodities of sales of television sets, refrigerators, washing machines, vacuum cleaners, automobiles, phonographs and radios, tape recorders, watches, cameras, sewing machines, building materials, domestic electrical appliances, furniture, carpets, dishes and sporting goods increased from 25 percent in 1960 to 32 percent in 1979. During this same period, the structure of cooperative commodity turnover drew closer to the structure of state trade turnover and now differs very little from it (the share of nonfood commodities in cooperative trade in 1979 was 47.6 percent, and in state trade, 49.2 percent).

The amount of cooperative commodity turnover is increasing in large measure due to the increase of the percentage in it of goods of higher quality and longer use, better grades and usefulness, which indicates the steady growth in the welfare of the Soviet people. Consumer cooperatives account for less than 30 percent of the country's commodity turnover, but they now sell 84 percent of the total resources of heavy motorcycles, 56 percent of the bicycles, and from 65 to 75 percent of the bricks, slate, lumber, glass, rolled roofing material, cement and prefabricated houses.

Public eating facilities make up a substantial part of consumer cooperative trade activity. This sector, as well as bread baking and industrial processing of agricultural products and raw materials, plays a major social role, helping to make running a household more efficient; to replace nonproductive manual domestic work on preparing hot meals and on fermenting, salting, drying and canning produce by mechanized methods; to thereby save leisure time for the rural population, especially women; and to create for them the possibility of working in the public sector and devoting more time to their own cultural advance, studies and rearing of children. In addition, development of cooperative public dining leads to elimination of payment in kind for agriculture and consumption by rural workers, development of commodity ties between city and village, reduction of consumption costs, and reorientation of rural life, bringing it closer to that of the city.

During the past 20 years, commodity turnover for cooperative public dining in the rural areas increased 3.4-fold, and realization of dining rooms' and restaurants' own products increased 6-fold; these products now make up more than 55 percent of the total products of public dining enterprises. Production of prepared foods and culinary items is steadily growing, the sale of them to the population is expanding, and specialty stores and departments are being established. In 1960, the value of these items was 47 million rubles, while in 1979, it reached 700 million rubles, or increased 26-fold. While cooperative public dining enterprises did not make confectioneries at all before 1960, about 286,000 t of them were made in 1979. A substantial increase in output of these products is planned for the near future.

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Consumer cooperatives not only establish public dining enterprises themselves, but also help kolkhozes, sovkhoses, industrial enterprises, vocational technical schools and those for general education organize feeding of kolkhoz farmers, laborers and students and assist in providing these enterprises with personnel, processing equipment and stock. A large role is played by providing hot meals and consumer items to agricultural workers directly at their place of work--in the fields, threshing floors, plantations, farms, pastures and reception centers. During the days of hard work in the fields, cooperatives send to service farmers and cattlemen annually more than 45,000 mobile stores, delivery vehicles and mobile dining facilities belonging to the consumer cooperatives.

Cooperative trade is now faced with a number of problems that have to be solved in the near future. These include a substantial improvement in the organization of trade and public dining in rural areas and a fuller utilization of the possibilities of increasing retail commodity turnover. Cooperative trade is still not meeting the demands made on it, nor is it providing full satisfaction of the populations' demand for needed goods. There are interruptions in trade of commodities in sufficient supply, rules of Soviet trade are violated, and the culture of the service is low. To eliminate these shortcomings, the 10th Consumer Cooperative Congress, held in November 1979, adopted a program of measures to develop consumer cooperative activity for the period 1981 to 1985. This program, approved by the CPSU Central Committee and the USSR Council of Ministers, provides for further strengthening of the equipment and facilities for cooperative trade, substantial improvement in trade services for the population, in particular improvement in the organization of trade in clothing, footwear, and items to improve farm and living conditions, as well as goods for children, and concentration of the sale of these goods in department and specialty stores. Measures are being taken to improve trade in small and remote settlements as well as services to rural workers engaged in field work, on farms and distant pastures. Delivery and parcel trade to fulfill orders from both cooperative stores and individual citizens will be developed.

On the base of major enterprises, centralized production of prepared food and supply of it to smaller enterprises, and expansion of output of delicatessen, culinary and confectionery items are becoming the major directions in development of cooperative public dining. Cooperatives are expanding the volume of public dining services to workers on kolkhozes and sovkhoses and in industrial enterprises and to students in vocational-technical and general education schools.

Another main cooperative activity is procuring agricultural produce and raw materials from kolkhozes and sovkhoses on behalf of the state for centralized supply to the population and industry in accordance with state plans and prices, as well as buying surplus produce and raw materials from the public sector and the population at prices agreed upon. These purchases are made chiefly by contracts under which consumer cooperatives influence the variety and quality of the contracted produce and ensure that it is sent to industry and trade on time.

Consumer cooperatives now account for 70-80 percent of the purchases of wool, more than 50 percent of the potatoes, 35 percent of the vegetables and hides, 20 percent of the fruit, 90 percent of the honey, 60-65 percent of the nuts and commercial medicinal raw materials, about 70 percent of the melons and mushrooms, 65 percent of the wild fruits and berries, and 40 percent of the pelts and furs. Cooperative

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procurement turnover grew from 3.3 billion rubles in 1960 to 8.5 billion rubles in 1979, i.e., more than 2.5-fold. Under the current five-year plan, purchased on the average per year were 7.9 million t of potatoes, 5.9 million t of vegetables, 7.8 billion eggs, 515,000 t of wool, 1.9 million karakul sheep furs, 44.4 million hides, 317 million rubles worth of pelts and furs, 81,300 t of wild fruit and 13,500 t of technical-medical raw materials.

An important part of consumer cooperative activity is buying surplus agricultural produce from kolkhozes and sovkhoses that have fulfilled the plans for selling produce to the state, as well as from the population at mutually agreed prices for sale in cities and worker settlements at prices determined by local markets. These purchases are an important form of involving the people in organized commodity turnover of produce from private subsidiary farms, and accounting for its production and distribution. Consumer cooperatives, which buy from the population along with organizations of the USSR Ministry of Trade, the USSR Ministry of the Meat and Dairy Industry, the USSR Ministry of the Food Industry and the ORS [departments of workers' supply] of other ministries, account for a considerable share of these purchases. Thus, in 1978, cooperatives bought about 34 percent of the marketable meat produce from private farms, 45 percent of the potatoes, more than 58 percent of the vegetables and about 62 percent of the eggs. Compared to 1961, purchases of surpluses tripled and amounted to 2.2 billion rubles in 1979 (in state purchase prices).

In carrying out the decree by the CPSU Central Committee and the USSR Council of Ministers, "On Private Subsidiary Farms of Kolkhoz Farmers, Laborers, Employees and Other Citizens and Collective Gardening and Truck Farming," cooperatives are increasing the amount and improving the organization of purchases of surpluses of agricultural produce. Private farms of the population produce about 60 percent of the gross yield of potatoes in the country, about 30 percent of the meat, milk, eggs, vegetables and melons, and more than 50 percent of the fruit and berries. A substantial share of this produce is sold by the population to procurement organizations, or goes to the kolkhoz market. Poorly organized local purchasing of agricultural produce surpluses in a number of republics and oblasts forces rural inhabitants to travel to the city to sell the produce, which entails an enormous loss of work and leisure time (up to 200 million man-days per year).

That is why increasing the amount of cooperative purchases of agricultural produce surpluses locally (directly at the farms) helps, on one hand, save people's leisure time, as well as labor on the private farm and consequently, increase gross and marketable produce of the private farm, and on the other, reduce prices on the kolkhoz market, since consumer cooperatives sell this produce at 25 to 30 percent below market prices and the population saves an average of 550 to 600 million rubles per year as a result.

It should be noted that in the article by V. Voronin, "Private Subsidiary Farms and Trade,"³ the status of drawing the population's agricultural produce surplus, in particular by consumer cooperative organizations, into organized commodity turnover has been portrayed incorrectly. The author used by mistake statistical data on the sale of the population's agricultural produce by consumer cooperatives as the basis for analysis of purchases of this produce. But the amounts of purchases and sales of this produce cannot be identical, since a substantial part of it is sent to

³ See VOPROSY EKONOMIKI, No 6, 1980.

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cooperative public dining enterprises and the food industry, and then sold to the consumer in a processed form (finished meals, prepared and canned foods, dried fruits, cooked meats, culinary items, confectioneries, juices, beverages, etc.). Actual purchases by consumer cooperatives of surplus potatoes were 4,350,800 t, but the author of that article cited only 230,000 t; and instead of 1,978,800,000 eggs, only 400 million; instead of 1,213,600 t of vegetables, only 360,000 t; instead of 527,800 t of meat, only 190,000 t. As a result, he made incorrect conclusions, in particular that purchases of surpluses had been allegedly "moved to the background," that the physical and relative amounts of them had declined in the period 1970 to 1977, and that the role of consumer cooperatives in assimilating the resources of private farm produce is insignificant. Meanwhile, actually the amount of these purchases increased from 1,536,900,000 rubles in 1970 to 2,177,500,000 rubles in 1979, i.e., 41.7 percent.

Of course, reserves for increasing the amounts of purchases of agricultural produce from the population are still very great. Consumer cooperatives buy from kolkhoz farmers and sovkhoz workers currently only one-third of the agricultural produce surplus produced by them on private farms. Procurement of surplus vegetables and fruit is especially poorly organized. Therefore, guided by party and government directives on developing the population's private subsidiary farms, cooperatives are taking measures to further expand drawing their produce into organized commodity turnover and to eliminate shortcomings existing in this matter. The most important among them are poor development of the network of centers for receiving, storing and preparing the agricultural produce bought, the low level of mechanization and equipping with refrigeration of these enterprises, as well as the shortage of motor vehicles and other means of transportation. Taking these deficiencies into account, Tsentrosoyuz [Central Union of Consumer Cooperatives] plans to triple in the next four to five years the number of fixed procurement and receiving centers operating year round, and to build new modern storehouses for potatoes, vegetables and fruits with a capacity of over 300,000 t of storage at any one time. The CPSU Central Committee and the USSR Council of Ministers in the decree "On Measures for Further Development of Trade" have committed republic and local council agencies to allocate space to consumer cooperatives to set up stores handling agricultural produce, but this problem has not yet been resolved in a number of places.

Cooperative trade of agricultural produce in cities is now represented by only 16,000 enterprises, of which over 3,500 are stores in oblast centers. In 1979, they sold city dwellers 1.7 billion rubles worth, which cannot be considered satisfactory, of meat and meat products, honey, vegetables and fruits, wild fruits, berries and mushrooms bought in rural areas at contract prices. If the local councils of people's deputies provided accommodations more actively for these purposes, sales volume of this produce could double within two to three years and the potential of citizens' private subsidiary farms could be more fully realized.

An important role of consumer cooperatives in the economic life of the developed socialist society is also determined by the amount of their industrial activity that is growing from year to year. This activity promotes increasing the country's commodity resources, utilizing local resources better, eliminating in-kind consumption in rural areas, and drawing its structure and conditions closer to those of consumption in cities. This activity, that until quite recently involved mainly bread baking, drying, salting and fermenting at small shops for processing fruits and vegetables, is now a multisector industry. For example, after the sixties, an

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essentially new sector was created--the canning industry with 170 modern enterprises. These enterprises, which produced 160 million conventional cans of fruit and vegetables in 1960, increased production volume in 1979 to 1.52 billion cans, which is 1.4-fold greater than that produced by the country's food industry as a whole in 1940.

Rural inhabitants are expressing ever greater demand for processed agricultural produce that has undergone culinary processing and been enriched in the nutritional and taste senses, and consumer cooperatives are reacting sensitively to these changes in demand. In addition to cans of fruit and vegetables, they are developing production of preserves, jams, juices, wines, beer and non-alcoholic beverages, cooked meat, confectioneries, culinary items, prepared foods and smoked fish; a certain part of these food products is made with what the customer supplies, i.e., from resources made available by the population and kolkhoz farmers themselves to satisfy their consumption.

The most important branch of the cooperative food industry, in terms of economic weight and social value, is bread-baking. Its enterprises (11,700 bread bakeries and shops) make one-third of the produce of the country's entire bread-baking industry--more than 11.5 million t of bread, rolls and buns of 500 different sorts, which satisfies 80 percent of the need by the population serviced. Development of this industry helps free women from low-productivity domestic labor. Also, replacing domestic bread-baking by industrial yields a savings per ton of finished product in labor of 360 man-hours, in flour of 20 kg, and in conventional fuel of about 60 kg. That is why in the next few years cooperatives intend to step up efforts to replace domestic bread-baking by industrial in Kazakhstan, the Central Asian republics and Transcaucasia.

Based on using local and secondary resources and by-products from industrial and agricultural production, consumer cooperatives are also expanding nonfood commodity output, widening the range of their commodity resources and enriching the variety of state industrial goods. Their enterprises now produce clothing, footwear, knitted wear, dishes, hats, souvenirs, building materials, furniture, trade processing equipment and hundreds of other types of goods.

In recent years, the following activities have been developed more and more extensively: cooperative fur farming, yielding 192 million rubles worth of products per year; fattening of cattle on subsidiary farms, established under public dining and canning industry enterprises; raising rabbits and poultry, and fishing. For example, raising fur-bearing animals in cages, which began to be developed only in the sixties and yielded 39 million rubles worth of products in 1965, now yields 200 million rubles worth per year.

At the October (1976) Plenum of the CPSU Central Committee, L. I. Brezhnev pointed to the need of making fuller use of the potential of consumer cooperatives in solving the food problem and in improving the supply of the population with food and other commodities; at the 16th USSR Trade Union Congress (1977), he said that consumer cooperatives could aid considerably in utilizing the potential of private subsidiary farms in forming state commodity resources of food and that it would make sense to place greater responsibility on them for organizing the sale of surplus agricultural produce raised on private subsidiary farms by the population of rural areas and kolkhozes. In his speech at the November (1979) Plenum of the CPSU

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Central Committee, L. I. Brezhnev called for consumer cooperatives to get involved far more thoroughly, and primarily to take the initiative in producing consumer goods for the purposes of making better and more efficient use of local raw materials, especially in remote areas.

The sales volume of all goods produced by cooperative enterprises increased 3.5 fold during the period from 1960-1979, inclusive, and reached 5.64 billion rubles per year. There are in the consumer cooperative system, however, considerable reserves for further expansion of food production. Thus, in the cooperative canning industry, only 87 percent of capacity is currently utilized; in sausage making, 92 percent; in smoking fish, 42 percent; and in the non-alcoholic beverage industry, 83 percent. The raw materials are there to substantially increase canning production, but the lack of needed glass containers as well as auxiliary materials is hampering this.

In future, production of nonfood consumer commodities will increase substantially through more efficient utilization of local materials and resources; this will particularly include goods in demand by the population to improve living and farm conditions, pottery, toys, souvenirs, wooden items and other goods based on utilizing local raw materials.

Consumer cooperatives are involved in foreign trade operations in considerable amounts with cooperatives and firms in 44 countries; this is a major source for supplementing resources and expanding the variety of goods. They export goods of their own production and those obtained from state organizations, as well as purchased agricultural produce and raw materials, in return for consumer goods in high demand. During the past 20 years, cooperative foreign trade turnover, over 50 percent of which is with the socialist countries, increased almost 8-fold and reached almost 2 billion rubles per year.

The primary direction in developing cooperative physical facilities, in the construction and renovation of which cooperatives invest up to one billion rubles annually, is construction of large, modern, highly mechanized enterprises. In trade, these are wholesale bases with 10,000 to 20,000 sq. m, trade centers and complexes, and department and specialty stores offering customers a wide selection and variety of goods. In 1940, an overwhelming number of stores were small with one employee, and only 14.5 percent of the total were department and specialty stores. Today, department stores with 18 to 25 and more employees are being built, and more than 70 percent of the total (in area) are department and specialty stores and trade centers. Cooperatives are building large vegetable, potato and fruit storehouses, refrigerated storehouses, and modern canning, beer-brewing and bread-baking enterprises.

Over 3 million people now work in all sectors of cooperative activity, three times as many as in 1940. Back in 1960, there were 15,700 specialists with a higher and 87,000 with a secondary education in consumer cooperatives; now there are 111,000 and 514,000 respectively. Consumer cooperatives train personnel in their own institutions: 7 vuzes and 127 tekhnikums annually graduate 6,000 specialists with a higher and more than 50,000 with a secondary education; and 155 vocational-technical schools and over 2,000 enterprise schools produce around 170,000 workers for mass occupations--sales people, waiters, cooks, bakers, pastry cooks, procurement officials and others. Continual replenishment of the ranks of educated workers for

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rural service enterprises and the intelligentsia is yet another major contribution by consumer cooperatives in carrying out the task of eliminating the essential differences between urban and rural areas.

In consumer cooperatives, there are problems and unresolved questions, the most important of which is fuller satisfaction of the rural population's growing demand. Trade is not keeping pace with the rapid growth in rural workers' incomes and needs. Rural customers do not always find the goods they need in their own stores and have to travel to the cities for them. The reason is primarily the shortage of some goods and the shortcomings in the planning and distribution of marketable goods between urban and rural trade. There are also serious shortcomings in cooperative trade organizations themselves.

From year to year, industry increases production of consumer goods, expands their variety and assimilates output of new items. At the same time, a number of industrial ministries and departments, extremely slow in reorienting their operations, have not managed to eliminate shortages of many items, in particular, television sets, certain brands of motorcycles, bicycles, reflex cameras, carpets, many types of cloth, fashionable women's clothing, men's shirts, suits and pants made of cotton, work clothes and footwear. Orders by trade organizations and delivery contracts have not yet become the law. Plan quotas for output of certain goods are not being met by the USSR Minlegprom [Ministry of Light Industry], the USSR Minchermet [Ministry of Ferrous Metallurgy], the Minelektrotekhprom [Ministry of the Electrical Equipment Industry], the Minbumprom [Ministry of the Pulp and Paper Industry], and the light and food industries of the RSFSR, and the Kazakh, Kirghiz, Armenian, Azerbaijan and Lithuanian republics.

Practice indicates the need to concentrate purchasing of private farm produce everywhere in a single agency--in the consumer cooperatives that carry out trade and procurement activity in rural areas and have many years of experience. For this, marketable stocks of concentrated feed should be transferred to them to supply the population with it in return for sale of animal produce. USSR Gosbank has to grant credit more extensively, and the needed resources, supplies, building materials and equipment have to be allocated to build up refrigeration capacity and slaughterhouses, and the means of transportation acquired. Implementation of these measures would make it possible, according to specialists, to significantly increase within three to five years the stock of cattle, sheep and goats on private farms, as well as the purchases from them of potatoes, vegetables and fruit 1.5 to 2-fold.

There is a need for serious improvement in planning and distribution of commodity resources among trade systems and within systems by enterprises and organizations. Current practice of planning commodity resources by trade systems in union republics does not allow timely redistribution when required of individual commodities among the country's republics and regions. In our view, USSR Tsentrosoyuz as the Central Union of Consumer Cooperatives should be granted specific rights to redistribute among republics the commodity resources allocated to local cooperative organizations; this would promote fuller and more efficient utilization of them and better satisfaction of popular demand.

The world's largest cooperative organization--the USSR consumer cooperatives--is an active participant in the international cooperative movement. This organization is currently developing friendly and business contacts with cooperative organizations

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in 107 countries and takes part in the work of the International Cooperative Alliance. With the cooperatives of the other socialist countries and the progressive cooperatives in the capitalist and developing countries, Soviet cooperatives advocate strengthening the unity of ranks of the international cooperative movement and enhancing its role in the campaign for peace, democracy and social progress.

Cooperation with cooperatives in socialist countries occurs within the framework of the Comprehensive Program for Socialist Economic Integration of the CEMA countries on a bilateral and multilateral long-term plan basis. Foreign trade and the exchange of information and technical design and other documentation are developing dynamically; hundreds of cooperative members from fraternal countries are receiving a higher education in Tsentrosoyuz vuzes. The most varied spheres of cooperative activity include cooperation with cooperative members in the developing countries of Asia, Africa and Latin America. In particular, much aid is given them in training national cadres: 1,290 cooperative members from 51 developing countries have been trained so far in Tsentrosoyuz vuzes. Mutually advantageous contacts are also maintained with cooperative organizations in capitalist countries.

The great and ever growing role of consumer cooperatives in the life of the developed socialist society and in the international cooperative movement is the result of steady implementation by the Communist Party and the Soviet state of V. I. Lenin's instructions on making use of cooperatives in building communism.

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CONSUMER GOODS PRODUCTION AND DISTRIBUTION

CONSUMER GOODS PRODUCTION INFLUENTIAL IN WORKER WELL-BEING

Moscow PROIZVODSTVO TOVAROV NARODNOGO POTREBLENIIYA; SOTSIAL'NOGO EKONOMICHESKIY ASPEKT (The Production of Consumer Goods; Socioeconomic Aspects) in Russian 1980 signed to press 28 Jan 80 cover, inside cover, p 212

[Annotation and table of contents from book by Leonid Alekseyevich Kostin, "Ekonomika" Publishing House, 10,000 copies, 212 pages]

[Text] The book reveals the significance of the production of consumer goods in improving the well-being of the workers, insuring effective demand on the part of the population and reinforcing incentive in the development and improvement of social production. An analysis is made of the changes taking place in the structure of industry as a whole and particularly in the "B" group and an examination is made of the features in the production of consumer goods in the USSR and the socialist and capitalist countries.

The book is intended for the economic and party aktiv, economists, scientific workers and teachers of economics in VUZ's.

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CONSUMPTION TRENDS AND POLICIES

GROWTH OF NATIONAL WELL-BEING REQUIRES BALANCE IN CONSUMER GOODS SUPPLY, DEMAND

Moscow VOPROSY EKONOMIKI in Russian No 10, 1980 pp 3-13

[Article by S. Shatalin, associate member of USSR Academy of Sciences, "Methodological Problems of the Analysis of the National Well-Being"]

[Text] At each stage of the socio-economic development of the USSR the growth of the national economy has been directed toward increasing the standard of living of the populace. This is an objective requirement of the fundamental economic law of socialism. At the stage of developed socialism, all the necessary prerequisites have been established for the all-round stable growth of the national well-being, in order that the fundamental economic law might be realized more fully and consistently, and that the type and composition of the reproductive process of the socialist economy might be determined. The course to increasing the well-being of the Soviet people, "will determine our activity not only for the coming five years, but also the general orientation of the economic development of the country for the long term," indicated L. I. Brezhnev at the 24th CPSU Congress. This strategic goal of the socio-economic policy of the CPSU and the Soviet state received its subsequent development at the 25th CPSU Congress. "As with any strategy," stressed L. I. Brezhnev, "The economic strategy of the party starts with assigning the tasks, with laying down the fundamental, long-term goals. Highest among them has been and remains the unswerving increase in the material and cultural level of the life of the people."

The ever greater orientation of the socio-economic development of our country toward more comprehensive increase in the national well-being is the most important element of the more general strategic task of changeover to a qualitatively new type of economic growth. Its characteristic features in a socialist economy are:

—its ever more complete subordination to the operation of the basic economic law of socialism; to the task of maximum satisfaction of the continually growing and more complicated demands of the Soviet people, and the accelerated growth of resources directed at solving the main social problems of the development of the national economy;

—achievement of new, balanced growth rates in the national income by virtue of the growing effectiveness in the use of production funds, articles of labor, labor and natural resources; that is, on the basis of intensive factors of development, which may be achieved only by means of significant acceleration of the rates of scientific-technical progress;

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—total elimination of hard, low-skilled labor; adding to labor more and more of the elements of creativity and attractiveness, which are transforming it into the primary requirement of life;

—creation for the population living in the various regions of the country large, medium and small cities in rural areas, with relatively equal conditions for access to popular materials, spiritual and cultural benefits and services; with the choice of profession, of interesting work, and relaxation;

—maintaining the optimal balance in the system of "social production and the environment" which presupposes an optimal regime of utilization of natural resources, and the creation of the very best ecological conditions for human habitation;

—further perfection of the economic mechanism for the functioning of the socialist economy, which assures an effective system for the centralized planned direction of the national economy; and, above all, working out an optimal strategy for socio-economic and scientific-technical development of the country; optimal combination of centralized control with the expanded operational-managerial independence of various elements of the national economy which are providing maximum orientation toward the scientific-technical perfection of production; increasing the quality of production and more complete satisfaction of the non-manufacturing and production needs of society.

In a system of objective socio-economic prerequisites and under the conditions of changeover to such effectively balanced growth in the socialist economy, realized primarily by virtue of intensive factors, providing steady all-round increase in the national well-being is of the greatest importance. This is not only the highest immediate and ultimate goal of social production under socialism, but also the most important means for increasing its rate, increasing its state of balance and effectiveness. And here the growth of the national well-being becomes a factor of economic development, having equality with the production resources of society—with the production assets: labor and material resources. The correctness of such an assertion in no way contradicts the fact that the influence of the growth of the well-being of the workers on the rates of increase in the national income, increasing the effectiveness and state of balance of the economy, has not a direct but a derivative character, and is expressed in the final analysis in the increase in the efficient use of material, labor and natural resources.

For an illustration of this situation, let us examine the following macroeconomic model:

$$y = de,$$

where y is the rate of increase of the physical volume of the national income;

d is the portion of industrial savings in the national income; and $e = \frac{\Delta y}{y}$ —

the effectiveness of the industrial savings, characterized by the relationship of the physical volume of the national income (Y) to the volume of industrial savings (J^1).

¹ The term "effectiveness of industrial savings" must not lead one into error. Taking into consideration the fact that production assets are only one of the factors of economic growth, and the interchangeability of production resources, an increase or decrease in the effectiveness of industrial savings is not identical to an increase or decrease in the aggregate efficiency of social production.

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This model connects the rate of economic growth with the portion of industrial savings in the national income and its effectiveness. It is constructed, proceeding from the proposition that the effectiveness of industrial savings is a parameter which does not depend on its portion in the national income. Consequently, if maximizing the rates of growth of the physical volume of the national income is examined as a criterion of the effectiveness of economic growth, then the strategy of development must consist of increasing the portion of industrial savings in the national income; for consumption and nonindustrial savings limit economic growth. With such prerequisites, current and future consumption are regarded as "competing" elements of economic growth in which one can be realized to the maximum only at the expense of the other.

However, theoretical considerations and the practice of economic development provide the basis for proposing that the effectiveness of industrial savings depends on its portion in the national income; other conditions being equal, effectiveness declines in proportion to the growth of the portion of industrial savings in the national income. One can point to a number of facts which corroborate this position.

First of all, an increase in industrial savings at a given level of development of engineering and technology leads to the introduction of less-effective production resources into the economic turnover, and the normative coefficient of the relative effectiveness of capital investment declines, which makes possible the realization of more capital-intensive variants. The reason for this lies in the fact that capital investment proves to be not such a scarce resource. Secondly, at a given level of worker-skill only a fully defined volume of industrial savings can be effectively assimilated. Thirdly, an increase in the portion of industrial savings in the national income entails expansion of the investment front, and the scattering of capital investments, which has a negative effect on the level of their economic effectiveness. Fourthly, as calculations made on the basis of inter-branch balances on the manufacture and distribution of products in the national economy indicate, industrial savings are significantly more capital-intensive elements of the national income, in comparison with private and social demand.² Consequently, increasing its portion in the national income inevitably leads to reduction of its effectiveness; for it becomes necessary to spend more industrial funds per unit of growth of the physical volume of the national income, which grows by virtue of industrial savings. Finally, one must also bear in mind that increasing the portion of industrial savings while reducing the portion of resources directed toward satisfying the non-industrial needs, under other equal conditions limits the capability for material stimulation of the growth of the effectiveness of social production.

Therefore, in concrete economic conditions, the following situations may arise:

—an increase in the portion of industrial savings, while reducing its effectiveness, compensates this negative effect by augmentation of growth rates in the national income and the resources for future consumption;

—an increase in the portion of industrial savings leads to growth of the rates of increase of the physical volume of national income but reduces the rates of increase in resources for future consumption;

² According to data on the inter-branch balance of production and distribution of production in the national economy of the USSR for 1966, total economic expenditures of fixed production assets per ruble of capital investment amounted to 1.456 rubles; per unit of savings of turnover funds, stocks of goods and reserves, 1.419 rubles; and

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—an increase in the portion of industrial savings beyond a particular limit does not compensate its reduced effectiveness, leading to reduction in the rates of increase of the physical volume of national income.

When they say that current demand is a deduction from economic growth, acknowledging the contradiction of current and future consumption, in essence they are proceeding from the reality of only the first of the situations considered above. Evidently, the contemporary economic development of the USSR is more and more approaching the conditions when an increase in the portion of industrial savings in the national income may not also compensate for the reduction in effectiveness which results—which can also have an adverse effect on the rates of growth in the standard of living. But such a contradiction is rather formal: while reducing the portion of savings we are increasing the portion of consumption in the national income. And the dialectic of economic growth is such that an increase in the national income of the share of resources for consumption can fulfill this very dynamic function which is exclusively attributed to an increase in the portion of industrial savings—it increases the growth rates of both the national income and future consumption.

This occurs as a result of the positive influence of the growth of the portion of resources for consumption in the national income and in social production as a whole. It goes without saying that a similar interrelationship may be formulated a priori and should not be considered natural, requiring its own quantitative interpretation in the national economic plan. Here, it is necessary to take into consideration as well the dimensions of savings and consumption achieved both the rates and types of scientific-technical progress and the response of the system of material stimulation of the growth of the effectiveness of social production on raising the standard of living of the populace and many other socio-economic factors, the mutual influence of which is by no means single-valued. But it is clear that one of the most important prerequisites for the changeover to a qualitatively higher type of intensive growth of the socialist economy, which is more and more oriented toward the all-round growth of the national well-being—overcoming the stereotype of planned-economy thinking which regards resources for consumption (current consumption and nonindustrial capital investments) as a deduction from economic growth, which is interpreted as growth of the physical volume of the national income.

It is all the more important to note this, because maximizing the rates of growth of the physical volume of the national income can in no way serve as a criterion of the optimum of economic development under socialism. The criterion of optimum function of a socialist economy—and this indisputably proceeds from its fundamental law—is the guarantee of maximum, stable rates of growth of the national well-being. Only inertia in economic thinking—no matter how it is supported by theoretical considerations—ignoring the new conditions for the development of the Soviet economy which consist of a changeover to a qualitatively new type of reproduction, make it possible to regard the thesis expounded above as if it were a consumer approach to the planning of the rates and the structure of socialist economics.

During the past 15 years great success has been achieved in the USSR in raising the standard of living of the populace. In accordance with the plans for the development of the national economy for 1965-1969, real income per capita has increased by a factor of 1.88; pay and benefits received by the populace from social funds for

(Footnote 2, continued) per unit of consumption funds, 1.205 rubles.

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consumption, by a factor of 2.63; average wages of blue and white collar workers, by 1.69; and wages for kolkhoz workers by 2.21. The housing conditions of the population have been improved considerably; the educational-cultural level has been raised; and the demand of the populace for paid services has increased.

However, certain negative tendencies have been noted in this area as well. Specifically, along with the general growth the rates of increase of the real income of the populace has declined somewhat. The quality of consumer goods and services is not improving fast enough, nor is their assortment expanding satisfactorily. By far the most common reason for the appearance of these tendencies is the reduced rates of growth in the national income, caused as a reduction of the value of the resources involved in material production, as well as the reduction of the rates of growth of the effectiveness of their use. The necessity to support high rates of increase in the national income under conditions of insufficiently increasing aggregate effectiveness of the use of production funds and labor resources has determined the relatively higher share of industrial savings in the national income; which, as was already noted, can (all other conditions being equal) render a negative influence on its effectiveness, and lead to a lag in the rates of growth of sectors which produce consumer goods and services. The large demand in the national economy for labor resources, as a factor which compensates an insufficiently high rate of growth of the social productivity of labor, has led to the growth of monetary incomes not tied completely with the growth of ~~resources~~ for consumption. This tendency was also strengthened as a result of the fact ~~that an effective mechanism has not yet been provided~~ in the national economy for correlating wages and the final contribution of the workers in increasing the effectiveness of social production. All of this has to a significant degree facilitated the prevalence of extensive factors of economic development.

Overcoming the negative tendencies cited is accomplished within the framework of a general strategic conception of the changeover to balanced and effective growth in the national economy on the basis of significantly accelerating the rates of scientific and technical progress and growth of the aggregate effectiveness of production resources. We emphasize once again that solution of the problem of increasing the national well-being must be regarded as an organically inseparable unity of the ends and means for realizing this conception, which make it realistic and realized in general.

In connection with this, the complex of measures planned by the party, defined in the decree of the CPSU Central Committee and USSR Council of Ministers, "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," has the greatest significance for improving all planning work in our country oriented toward the growth of the workers' well-being. These measures propose organic inclusion of the 11th Five-Year Plan in resolving the strategic long-term problems of the socioeconomic and scientific-technical development of the USSR, increasing the role of long-term economic plans. Only on their basis can conditions be provided for stable, balanced development of the Soviet economy, permitting increase in the rates of economic growth for an extended period. It is namely in this and not in the striving for maximizing rates of economic growth in this or that concrete planned interval of time that we see these new opportunities, which herald the changeover to the new methods of planning and economic stimulation of production.

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Assuring stable, balanced development of the economy of the USSR requires increasing the portion of capital investment in the industrial infrastructure of the national economy with the goal of decreasing losses in production which might become significantly less capital-intensive, rather than extending production volumes. Increasing the portion of capital investment in machine-building, development of the fuel-, energy- and material-economizing technology, which would permit extending the extraction of fuels, raw materials, manufacturing materials and above all metals on an expedient scale, will be the most important direction of the perfection of planning. It is also necessary to improve the structure of capital investments directed toward the agro-industrial complex, having increased the portion of investments in the sectors which provide for processing, storage and delivery of agricultural products to the consumers.

Under these conditions there is a significant increase in the requirements for increasing the effectiveness of the use of the scientific-technical potential of the country, which is understood in the broad sense as the capability of the national economy to effectively develop science and technology and to introduce their achievements to social production on a massive scale. In this lies the chief material source for accelerating the rates of growth of the aggregate effectiveness of production resources, and increasing its portion in increasing the national income. Finally, questions of increasing the non-industrial sphere must be examined as a factor of the growth of all social production and increasing the quality of the labor force employed.

The solution of the problems cited is connected with the continuing perfection of the economic mechanism of the functioning of the socialist economy, and first of all with the guarantee of optimal combination of central planning and the expansion of economic independence of production associations, enterprises and other self-supporting groups, in making planning and economic decisions; in strengthening the role of regional organs in the planning and direction of the development of the social infrastructure; in training and retraining of labor resources; and in the preservation of the environment.

The national well-being is an extremely complex, multi-component socio-economic category. Its structure is extremely dynamic and is defined by the entire aggregate of social, economic, moral, ethical and other factors; the role and correlation of which are continually being changed in the process of social development while remaining subject to the operation of the law of increasing consumption, which was precisely and capaciously formulated by V. I. Lenin.

The ability to determine these factors, to evaluate their significance at each concrete stage of socio-economic development, and to choose its strategy, is an important task for science and national-economic planning.

The basic functional characteristics of the level of well-being of the workers are:

- provision of material goods and services to the populace;
- satisfaction of the housing needs of the populace;
- the level of development of health care, education and culture;
- working conditions;
- the level of development of the system of societal support for the members of society who are unable to work;
- the amount and the structure of the free time of the populace;

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—the condition of the environment; and
—the conditions of access of the population living in the various regions of the country, in large, medium and small cities and the rural areas, to the mass material and spiritual benefits; to the choice of profession; to labor, and to relaxation.

All these components are measurable individually, but measuring them together is a most complex methodological problem, based on which a specific function of national well-being might be constructed, and examined as the criterion for optimal socio-economic development under socialism.

It is completely obvious, that neither analysis much less control of the process of the growth of the well-being, or the system of distributive relationships in the socialist economy, is possible except in terms of global macroeconomic measurements of the standard of living of the population on the average. All the characteristics of well-being must necessarily be supplemented by structural measurements in a cross-section of regions, of the various socio-economic groups of the populace, of goods and services, etc.

Meanwhile, statistics and the practice of national economic planning do not take this fully into consideration. Practical implementation of the decree of the CPSU Central Committee and USSR Council of Ministers, "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," will have great significance in solving this problem, inasmuch as the growth of the national well-being is more and more becoming the object of the overall planning in plans for the economic and social development of the nation.

The strategic goal of raising the standard of living of the populace in the long run is providing the entire population of the country a level of consumption which corresponds to the national consumer budget and to social standards for provision of housing; for the development of health care, education and culture; for working conditions; and for the condition of the environment. The numerical definition of the parameters of a rational standard of living, the theoretical basis of which must be the development of a model of the socialist way of life, is a complex theoretical-mathematical problem, the analysis of which at the required level is only beginning in our country. To a lesser degree this relates to a rational consumer budget, which characterizes individual consumption by the populace of material goods and paid services; but here as well essential improvements are still needed. It is first of all a question of the necessity for periodic revision of the optimum rational consumer budget (seemingly, every five years).

A great deal of theoretical, methodological and practical work is required to determine the optimum standards for the level of housing accommodations provided to the populace; for the development of health care, education and culture; for social performance graphs for comfort of labor; and for the ecological conditions of the human habitation. A certain amount of experience has already been accumulated in this area. At present the task consists of providing creative interpretation and conducting additional and —what is especially important—all-embracing research, which will permit their complete realization during the development of the Complex Program for the Scientific-Technical Progress of the USSR; which, proceeding from the decree of the CPSU Central Committee and USSR Council of Ministers on perfecting the economic mechanism, must become the basis of the five-year plans and the basic directions of the economic and social development of the USSR ten years in advance.

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One of the most important socioeconomic tasks for the growth of the national well-being is assuring a stable balance between the solvent demand of the population and the supply of consumer goods and services. From a formal point of view the state of balance of supply and demand for consumer goods and services is signified by three economic variables: the volume of consumer goods and services (in a natural expression), retail prices for them, and the monetary income of the populace. The whole difficulty in the socio-economic solution of this problem is found in the fact that assuring a state of balance between supply and demand for material consumer goods and services must entail not only the universal macroeconomic state of balance but also the relationship between supply and demand in the cross-section of concrete goods and services for all socio-economic groups of the populace, and for all the regions of the country. At the same time, in the process of achieving a state of balance of supply and demand, increase of both the general level of well-being and the well-being of all socio-economic groups in the population must be assured. This places significant limitations on the capability for maneuvering the theme of economic changes, the level of which determines the condition of the supply and demand for consumer goods and services.

For example, it is well-known that elasticity exists in the demand for concrete goods and services depending on their prices and the average per capita income. This signifies that the level and relationship of well-being of certain socio-economic groups of the populace variously depends on the policy in the area of retail prices and incomes. Thus, lowering the prices for certain goods and services, while leading to a lowering of their general level and to an increase in the standard of living of the populace as a whole, can in no way influence the level of well-being of the separate socio-economic groups. There is also variance in the gains or losses of various groups of the populace from changes in prices for goods and services, which have an influence on all socio-economic groups of the population. Change in the level of retail prices can be compensated by purposeful change in the level of monetary income of certain groups of the populace, but this is reflected in an obvious way on the well-being of persons with fixed incomes. Let us note in this connection, that the level of scientific research on the given problems must be significantly increased in our country.

The chief condition for the solution of the problem of balance in the consumer section of our economy is acceleration of growth rates in the production of consumer goods and services, a sharp increase in their quality and an expanded assortment. Along with certain changes in structural policy aimed at accelerating the development of the second subdivision and the sectors of the non-manufacturing sphere of the national economy which renders services to the populace, special attention must be given to those statutes of the decree of the CPSU Central Committee and USSR Council of Ministers on the perfection of the economic mechanism, which are directed toward improving planning and increasing the material stimulus for manufacture of consumer goods.

In order to solve the problem of balance of supply and demand for consumer goods and services, it is also indisputably necessary to employ a more flexible policy of retail prices. It seems that an important direction for perfecting retail prices, as well as the entire system of remuneration of labor, is the tendency to strengthen their economic functions, increasing their role in the socialist reproduction process. Retail prices must to an ever-greater degree reflect the socially necessary expenditure of labor for manufacturing products, take into consideration the supply

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and demand, and economically rationalize the structure of consumer preferences and consumption of the society as a whole. Economic actions in the area of retail prices must also pursue the task of material stimulation of the producers in increasing production, raising the quality and expanding the assortment of goods and services which are lacking.

Perfecting the system of distributive relationships in the socialist economy and optimization in the relationship of wages and labor and the social funds for consumption are most significant for effective growth in the national well-being. Distribution according to labor and the social funds for consumption are different socialist principles for the distribution of incomes, goods and services among the members of a socialist society, but they organically supplement one another. Distribution according to labor realizes the economic function of income, the contribution of individual workers to social production, and characterizes the relationships between society and the members of society as workers, and is the basis for the formation of individual income, the expenditure of which reflects consumer preferences. The level of a worker's income is the objective limit for the satisfaction of economic needs, which would be naturally interpreted as the needs, the measure and the order of satisfaction, which is determined by the individual consumer in conjunction with his specific function of well-being. This function of the worker's income is realized most consistently, if its movement is derived in a monetary form and the balance of supply and demand of consumer goods and services is assured.

Public funds for consumption express the social function of income in a socialist society. On their basis, the social needs of a definite type are satisfied, and the members of society who are unable to work are supported. In this part of the public funds for consumption, which is expressed in monetary payments, in pensions and stipends, the well-known intertwining of the economic and social functions of income is accomplished, and it bears the imprint of the past or future contributions of the workers to the growth and increase of the effectiveness of social production.

That part of the public fund for consumption which consists of the goods offered by society to its members free of charge or on the basis of privilege, establishes their direct contact with the satisfaction of social needs. We call such needs social, the satisfaction of which a socialist society considers as differentiation, which are based on the worker's income and the individual preferences of the workers which are not desirable. The origin of this "undesirability" is determined by a complex of factors: the system of establishing prices in a socialist society; by the level of its socio-economic development; and also by the chief principle for distribution of goods at all stages of socialism—distribution according to labor.

In a socialist society the basic social needs are health care, education and certain kinds of cultural services to the populace. And this is completely natural. We would only emphasize that at each stage in the development of society the mechanism for satisfying these needs is realized, in essence, through the establishment of a socially-guaranteed minimum (level), which is fixed; which part in the principle of social needs is satisfied in fact as a social need, at the expense of society, independent of the worker's income and individual consumer preferences. The socially-guaranteed minimum satisfaction of needs, thus, is the boundary between the social and the economic needs, and the social and economic goods. This boundary is not a priori; it is determined by the aggregate of socio-economic, moral-ethical and other factors. This is a very elastic boundary; and, evidently the objective criterion for establishing it is the comparison of the level and the urgency of

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satisfying all of the accumulated social and economic needs. We note, for example, that (all other things being equal) the less material stimulation plays a role in motivation for high productivity of labor, the more effective from the economic and social point of view is expansion of the "assortment" and increasing the measures for satisfaction of needs; in which relationship the differentiation of the well-being of members of society does not depend on their labor contribution and individual choice.

The tendency of socio-economic development under socialism, in our opinion, consists in the fact that the mechanism of socially-guaranteed minimum satisfaction of needs will embrace an ever-widening sphere of health care, education, housing, cultural services to the populace, transportation, and so forth, and will become the condition for guarantee of a certain level of well-being on the whole (which is already taking place).

However, it is not proper to take this as a call for curtailing the economic function of income, to forcing the volume of goods offered to the populace without charge. On the contrary, the mechanism for social guarantees in satisfying needs is a natural ally in strengthening the economic differentiation of the workers, based on the differences in their labor contributions and the expanding field of choices in the consumption of economic goods and services. In our opinion, the effectiveness of a distributive policy in a socialist society increases with the introduction of the mechanism for a socially-guaranteed minimum in the system of distribution of living quarters which can be clearly enough limited as a social and economic benefit, the consumption of which should be paid for by the consumer once only and through a differentiated rent. Living quarters are a social benefit only in circumstances when they satisfy the immediate needs of the populace for life. Beyond these limits it becomes an economic benefit, the level of consumption of which is determined by its price, the income of the consumer and his preferences. Offering living space free of charge to all citizens as members of a socialist society must be accomplished within the limits of the social norm for supplying quarters, and differentiated in favor of the regions being newly developed, and certain groups of the populace—newlyweds, for instance. Creating better living conditions beyond these norms, including additional kinds of conveniences, should be completely paid for, once and only and through rent, by the citizens to whom these better conditions are offered.

Of course, along with the introduction of a socially-guaranteed minimum of living space, offered to all members of society without charge, there is an undeniable need for expanding cooperative and individual construction, which is in complete accord with socio-economic needs and increases the sphere of including living space in the system of distribution according to labor, utilizing the monetary income of the populace.

Thus, the great significance of social funds for consumption and the social guarantee of satisfaction of demands by no means consists of eliminating the function of income but in creating the conditions for its adequate realization, in expanding for the consumer the field of possible choices for economic decisions.

Speaking of prospective growth and the perfection of the structure of public funds for consumption, it is fitting to emphasize that in the process of economic development, the portion of expenditures grows ordinarily in the form of capital investments which in a sense competes with the public funds for consumption. In 10th Five Year Plan the amount of expenditures in the national economy of the USSR for preserving

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the environment already amounts to 11 billion rubles. In the future, expenditures for preserving the environment, increasing safety of equipment and technological processes, and the comfort of working positions will enjoy repeated growth. In turn, the growth of these expenditures relatively reduces the part of the public funds for consumption which provide for the functioning of the system of health care in the narrow sense of the word.

A most important factor in increasing the effectiveness of the system of public funds for consumption is creating maximum equality of access to them for all strata of the populace, regardless of place of dwelling and "departmental" affiliation, etc.

Public funds for consumption (with the exception of monetary payments) are regionally localized; their movement is forbidden; and their regional supply is limited by the available quantity and quality. But both of these parameters vary significantly across the territory of the nation. "Appeal" to public funds for consumption of a different region causes at least additional expenditures, and this makes the corresponding free service actually a paid service. Differentiation of public funds for consumption into regional and other aspects does not destroy that character of theirs which reflects their being offered to members of society independent of their labor contribution, but creates actual inequality in the satisfaction of needs, in which respect the socialist society considers the differentiation of its members unacceptable.

An important condition for solving this problem, in our view, is the formation of a large unified group system for resettlement of the USSR, along with a significant increase in the volume of free services and increased quality. The group systems represent resettlements of various magnitude and national economic profile, united in a common zone with one or two-hour access to a central ("capital") city, with developed territorial-industrial ties, common transportation and main services, intersettlement social centers of cultural and consumer services, health care, and common places for the populace to relax. It is proposed, that depending on the size and socio-economic potential of the city, large medium and small group systems of resettlement will be organized on the territory of the USSR.

As the result of systematic formation of a unified group system of resettlement there will be created relatively equal opportunity for access to all groups of the population to mass material, cultural and spiritual benefits and services; the opportunity for relatively complete and equal satisfaction of the needs of the populace in choice of professions, in receiving an education, in cultural and consumer services, relaxation, and so on. The creation of a unified group system of resettlement is an important condition for overcoming the significant socio-economic differences between the city and the countryside.

Consistent implementation of the principles examined above will signify simultaneous strengthening of both the principles of distribution according to labor and the social funds for consumption, will accelerate the solution to problems of providing a balance of supply and demand on the consumer goods and services market, and will undoubtedly have a positive influence on the changeover to the intensive, effectively balanced type of economic development of the USSR.

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